PHILIP MORRIS USA INTER-OFFICE CORRESPONDENCE

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TO: Distribution DATE: July 17, 1996

FROM: Market Information / Bruce Neidle

SUBJECT: Nielsen Retail Pricing Update - w/e 6/8/96

SUMMARY

Retail prices and gaps have stabilized following the April manufacturer list price increases. Money-off incidence has increased slightly on major RJR franchises. RJR's activity coincides with the first partial week of implementation of PM's "Premium Brand Summer Special" (PBSS) program.

- Money-off incidence increased on each of the major Other Premium Brands between +3 (Parliament) and +8 (Merit) points.
- RJR increased money-off promotional support on Camel, Winston, Salem and Doral this week (from +1 to +2 points each).
- Marlboro's price disadvantage with Camel and Winston increased versus week-ago while its disadvantage with Newport decreased.
- Basic's price disadvantage with the Lowest Discount brand increased +3 points to 72% of c-stores, corresponding with an increase in Doral money-off activity.

PRICES AND GAPS

- In **c-stores**, Marlboro and the Lowest Discount brand average net pack prices remained relatively stable this week at $2.00 and $1.41, respectively. The resulting price gap was 59¢ or 42%.

					Chg. vs. WAGO		4WK vs. 4WAGO	
	MARL	LOWEST DISC	$ GAP	% GAP	$ GAP	% GAP	$ GAP	% GAP
NTNL	$2.00	$1.41	$0.59	41.8%	-$0.01	-0.8%	$0.01	0.5%
R1	$2.16	$1.61	$0.55	34.2%	$0.00	0.2%	$0.00	-0.2%
R2	$1.84	$1.22	$0.62	50.8%	-$0.01	-1.3%	$0.02	1.2%
R3	$1.97	$1.38	$0.59	42.8%	$0.00	0.0%	$0.01	0.5%
R4	$1.98	$1.40	$0.58	41.4%	-$0.01	-1.0%	$0.00	-0.6%
R5	$2.17	$1.52	$0.65	42.8%	$0.03	2.5%	$0.02	1.3%

MARLBORO'S PRICE ADVANTAGE / DISADVANTAGE

- Marlboro's price **disadvantage** with Camel and Winston increased this week as Camel and Winston raised their money-off incidence. However, corresponding with decreased money-off incidence on Newport, Marlboro's price **disadvantage** with this brand was down -1 point to 21% (its lowest level since 4/20/96).
- The percent of c-stores where Marlboro was at a price **advantage** versus its major competitive premium brands decreased slightly this week to 11%.

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Source: https://www.industrydocuments.ucsf.edu/docs/lrcy0004

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MARLBORO'S PRICE ADVANTAGE / DISADVANTAGE CONT.

	% STORES WITH AN ADVANTAGE/DISADVANTAGE			
	Advantage	Avg$Adv*	Disadvantage	Avg$Dis*
Marlboro vs Any**	11%	($0.21)	46%	$0.30
Chg vs Last	-1%	($0.00)	0%	$0.01
4WK vs 4WAGO	-3%	$0.01	-1%	($0.00)
Marlboro vs Camel	7%	($0.22)	27%	$0.31
Chg vs Last	-1%	($0.01)	2%	$0.01
4WK vs 4WAGO	-3%	$0.01	-3%	$0.00
Marlboro vs Winston	7%	($0.20)	27%	$0.34
Chg vs Last	-1%	$0.00	1%	$0.01
4WK vs 4WAGO	-3%	$0.01	0%	($0.01)
Marlboro vs Newport	9%	($0.21)	21%	$0.27
Chg vs Last	0%	$0.01	-1%	$0.00
4WK vs 4WAGO	-3%	$0.01	1%	($0.00)

*Any (Advantage)/Disadvantage ≥ 10¢

**Any=Camel Winston or Newport

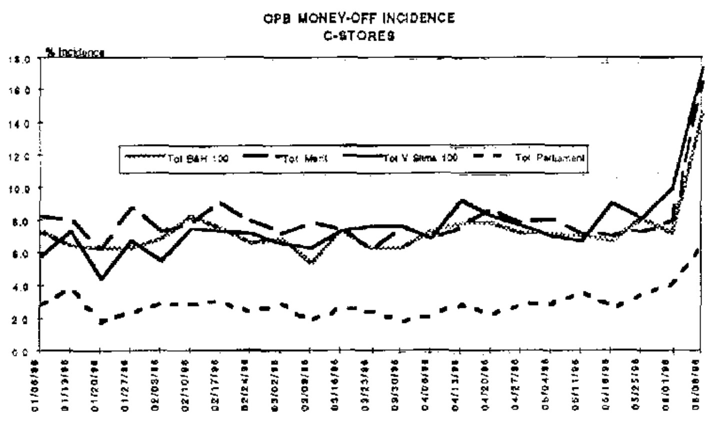
BASIC'S PRICE DISADVANTAGE

- Corresponding with an increase in Doral and RJR PL money-off promotional support (in stores were Basic and the competitive brands are in distribution), incidence of Basic' s price disadvantage (>10¢) with the Lowest Discount brand increased +3 points this week to 72% of c-stores.

	% STRS > 10¢	CHG VS LAST	4WK VS 4WAGO	AVG PRC DIFF	CHG VS LAST	4WK VS 4WAGO
BASIC vs. LOWEST DISC	71.7%	2.5%	1.7%	$0.33	-$0.01	$0.01
BASIC vs. GPC	51.6%	-1.5%	1.3%	$0.22	-$0.01	$0.00
BASIC vs. RJR PL	88.6%	1.3%	4.4%	$0.38	-$0.01	$0.02
BASIC vs. DORAL	43.9%	1.6%	4.3%	$0.26	-$0.01	$0.01

SUMMER SPECIALS

- Partial implementation of the OPB portion of the Summer Special money-off promotion (20¢-off per pack) was evident this week with money-off incidence increasing on each of the major Other Premium Brands.
  - Benson & Hedges and V. Slims money-off was up +7 points each to 15% and 17% of c-stores, respectively.
  - Merit money-off was up +8 points to 18% of c-stores.
  - Parliament money-off was up +3 points to 7% of c-stores.



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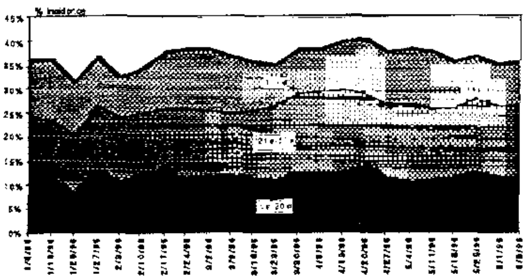
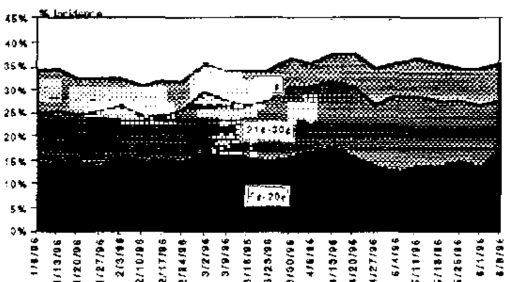
EMERGING TRENDS

- RJR increased money-off promotional support on most of its major premium and discount brands this week. Camel (+1) increased its 35¢-off promotions while Winston (+1), Doral (+2) and Salem (+2) increased money-off incidence primarily with 20¢-off deals.
  - Salem money-off promotional support increased +8 points since w/e 1/6/96 to 18% of c-stores (its highest level YTD).

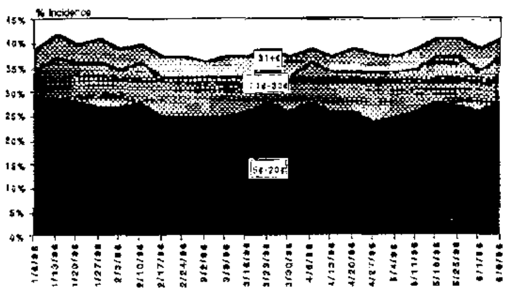
CAMEL MONEY-OFF
C-STORES



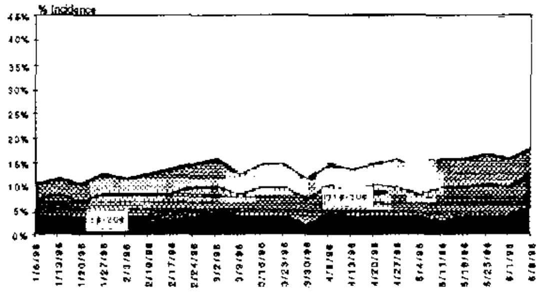
WINSTON MONEY-OFF
C-STORES



DORAL MONEY-OFF
C-STORES



SALEM MONEY-OFF
C-STORES



- During the latest week, c-stores with Salem money-off promotions were disproportionately skewed toward Regions 2 and 3, Rural geographies, Non-Exclusive Retail Masters and c-stores with gasoline sales.

SALEM MONEY-OFF
STORE PROFILE
WEEK ENDING 6/8/95

	SALEM SDI	SALEM MONEY-OFF	BALANCE OF C-STORES
		18%	82%
REGION			
1	89	20%	16%
2	131	29%	22%
3	98	28%	21%
4	108	20%	23%
5	60	4%	17%
RETAIL MASTERS STATUS			
Non Master	108	35%	33%
Non Exclusive RM	95	61%	53%
Exclusive RM	94	4%	14%
GEOGRAPHY			
Rural	96	29%	22%
Suburban	99	48%	48%
Urban	99	24%	30%
OWNER			
Chain	101	75%	75%
Independent	94	25%	25%
Store Size			
Small	101	62%	62%
Large	96	38%	38%
Sells Gas			
No	95	12%	17%
Yes	100	88%	83%

i.e. While 29% of c-stores with Salem money-off were in Region 2, only 22% of all other c-stores were in Region 2.

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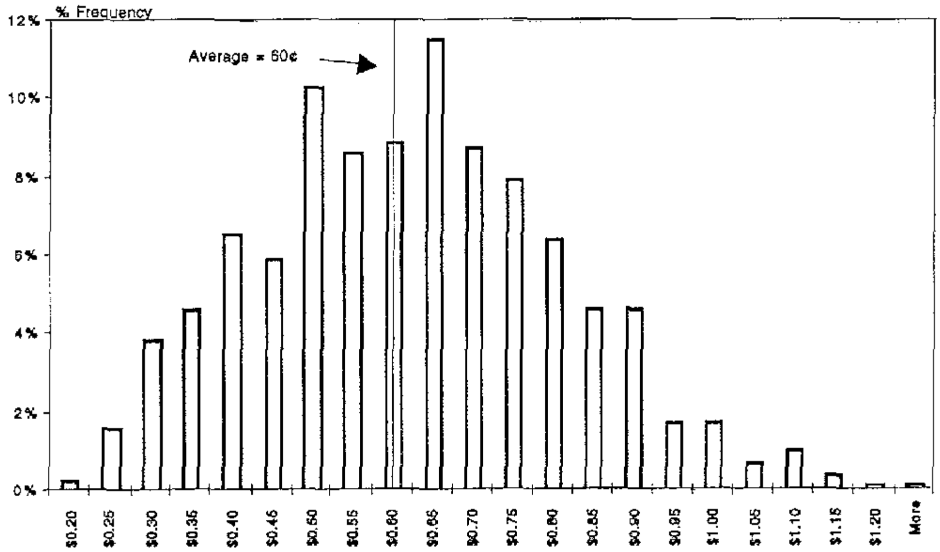
Source: https://www.industrydocuments.ucsf.edu/docs/lrcy0004

- During the latest four weeks, Marlboro's average pack price gap with the Lowest Discount brand was at 60¢. However, 65¢ and 50¢ were the two most frequently occurring price gaps points in c-stores.

MARLBORO VS LOWEST DISCOUNT BRAND PRICE GAP
C-STORES



- In c-stores with a higher than average price gap (Marlboro less Lowest Discount >70¢), Marlboro's share is somewhat underdeveloped (34%). These stores are skewed somewhat toward Region 5 and Non Retail Masters. In c-stores with a below average price gap, Marlboro has an above average share (40%). These stores are skewed toward Exclusive Retail Masters and Urban Geographies.

PRICE GAP (MARLBORO VS LOWEST DISCOUNT)
STORE PROFILE
4 WEEKS ENDING 6/8/95

	LOW (<.50¢)	AVERAGE (.50¢-.70¢)	HIGH (>.70¢)	INDUSTRY AVG
% C-STORES	33%	38%	29%	100%
MARLBORO SHARE	40%	36%	34%	35%
REGION				
1	20%	17%	13%	17%
2	19%	25%	26%	23%
3	23%	20%	22%	21%
4	22%	26%	18%	23%
5	15%	13%	$\boxed{21\%}$	17%
RETAIL MASTERS STATUS				
Non Master	22%	33%	$\boxed{37\%}$	32%
Non Exclusive RM	53%	55%	57%	53%
Exclusive RM	$\boxed{25\%}$	12%	6%	15%
GEOGRAPHY				
Rural	17%	24%	20%	21%
Suburban	42%	56%	50%	48%
Urban	$\boxed{41\%}$	21%	29%	31%
OWNER				
Chain	74%	77%	84%	75%
Independent	27%	24%	17%	25%
Store Size				
Small	59%	59%	65%	62%
Large	41%	42%	35%	38%
Sells Gas				
No	18%	10%	17%	16%
Yes	82%	90%	83%	84%

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Source: https://www.industrydocuments.ucsf.edu/docs/lrcy0004

Distribution:

R. Anise
M. Anton
V. Barrus
D. Beran
D. Berenson
G. Bible
G. Blumenson
J. Bonhomme
B. Burns
J. Chaump
N. Conrad
J. deCastro
D. Devitre
P. Dodd
J. Dwyer
C. Enger
N. Ellis
G. Fawcett
P. Fernandez
R. Ferrin
S. Fuller
L. Funess
E. Gawronski
E. Gee
A. Goldfarb
M. Gordon
J. Greene
H. Harwood
K. Huray
A. Hyland
J. Intogna
C. Johnson
L. Johnson
D. Keane
L. Larkins
T. Lauinger
K. Leger
S. LeVan
C. Levy
A. Lewis
J. Lichtman
H. Long
N. Lund
M. Mahan
J. Margolis
P. McCarthy
K. McEncroe
T. McGovern
S. Medakkar
R. Mikulay
D. Moore
J. Morgan
J. Mortensen
D. Murphy
M. Murphy
J. Nelson
E. Ng
S. Opengart
A. Padoan
P. Paoli
K. Park
S. Patel
B. Piccolino
S. Piskor
M. Platteter
L. Poole
D. Potter
S. Rafferty
T. Resman
S. Rush
T. Saloun
J. Sansone
M. Salzman
R. Sarmento
M. Schroeder
B. Schuyler
A. Schwartz
B. Shah
A. Sinha
M. Slone
J. Steere
D. Streng
N. Suter
M. Szymanczyk
L. Theaman
J. Turner
R. Weiner
B. Weinstein
L. Wexler
R. Whalen
B. Whitehurst
J. Whitson
K. Winkler

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